PG & E Says New Gas Safety Plan Will Cost $5B

GARANCE BURKE, Associated Press

SAN FRANCISCO (AP) — Pacific Gas & Electric Co. on Tuesday proposed for its customers to pay the lion's share of a $5 billion plan to boost safety on its gas lines in the wake of the deadly San Bruno explosion.

PG&E Senior Vice President Tom Bottorff acknowledged the plan's total cost would balloon beyond original estimates, but said under the company's new proposal ratepayers would be on the hook for a smaller percentage of the safety upgrades.

In August, the company first proposed for customers to pay for about 90 percent of its $2.2 billion plan aimed at prioritizing leak surveys, pressure reductions and safety tests on its transmission lines. Under the company's latest plan pending before the California Public Utilities Commission (CPUC), ratepayers instead would pay for about 84 percent.

Bottorff said in a statement that under the plan, "Californians will have a gas system that's safer and more reliable than anything this country has ever seen." But he also acknowledged that the total cost of the upgrades will grow significantly over time to reach $5 billion, including the financing the company needs to fund it.

"Our safety plan is forward-looking and tackles new standards adopted by the CPUC, such as the elimination of grandfathering certain pipelines and the installation of new automated valves," Bottorff said. "For that new work, PG&E is seeking recovery of costs in customers' gas pricing."

The Sept. 9, 2010, blast killed eight people and destroyed 38 homes.

The commission in June required all state utilities to forecast how they would pressure-test or replace the untested segments of their transmission lines — such as the pipe that exploded in San Bruno.

In the coming months, the commission will review the proposals from PG&E and other utilities before approving any costs or setting new safety requirements.

Assemblyman Jerry Hill, a Democrat who represents San Bruno, said the plan would also allow the company to earn a sizeable profit. Under the gas safety proposals the commission is requiring, PG&E is currently guaranteed to earn 11.35 percent interest on all of its capital expenses, he said.

"They're profiting from what has occurred in San Bruno and that's what I will fight against," Hill said. "We shouldn't be paying for that, and they shouldn't be profiting from this."

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